

SERVICE RETIREMENT 2001

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QUALIFYING FOR SERVICE RETIREMENT

SERVICE RETIREMENT:

1. A member with 27 years **Kentucky** service may retire with unreduced benefits regardless of age.
2. The minimum **age** required for unreduced benefits for members with less than 27 years of service is 60.
3. Members with at least five years of Kentucky service are eligible to retire at age 55 with an annuity reduced five percent for each year the member's age is less than 60 or by the number of years the Kentucky service is less than 27, whichever is the lesser number.
4. Only service based on full-time Kentucky employment can be used to meet the five year vesting for retirement.
5. Service earned in a reciprocal retirement system will count in total years of service.

27 YEAR RETIREMENT: Members with at least 27 years of Kentucky service are eligible to retire with unreduced benefits. A maximum of six years active military duty and up to ten years of out-of-state credit may be used in meeting the service requirements. **Members who elect to use out-of-state credit in qualifying for early retirement are required to make an additional contribution at the time of retirement.** The cost is based on a contribution rate of 8.00% times the final average salary for each year of out-of-state service used in qualifying for early retirement.

RETIREMENT AGE: A member's age is the age attained as of the first day of the month following the month in which the member's birthday occurs.

HEALTH INSURANCE: Health insurance coverage becomes effective the first day of the month following the month your retirement became effective. Members under age 65 are permitted to continue health insurance coverage with the same state sponsored health plan that they are covered by as an active employee. Members age 65 and over may select coverage with the KTRS medicare supplement that is currently offered through Aetna and Merck/Medco.

LIFE INSURANCE BENEFIT: All retirees are covered by a \$5,000 life insurance benefit, which can be paid either to the member's estate or to one designated beneficiary. Such a designation must be on a KTRS form.

FEDERAL LIMITS ON SERVICE CREDIT PURCHASES: Section 415 of the Internal Revenue Code has established monetary limits on certain service credit purchases which cannot be exceeded either annually or at retirement based upon member contributions plus the annual annuity of the retiring member according to age at retirement.

APPLICATION FOR SERVICE RETIREMENT

Your Service Retirement Application must be filed on forms furnished by the Kentucky Teachers' Retirement System (KTRS). If you wish to retire at the close of a school year (which is normally July 1), you must file an application on **or before June 1** for your retirement to be effective on July 1. With the concurrence of the employing board, you may (if eligible to retire) file an application for retirement during a school year. Approved applications that are filed during a school year are effective as of the first of the month following the date the application is received by KTRS.

If you also have service in a reciprocal retirement system (KERS, State Police Retirement plan, CERS, JRS) you must file a separate application with the KRS office. The retirement date must be the same for KTRS & KRS. Contact the reciprocal agency for applications and filing information. A copy of your birth certificate and social security card are required.

MINIMUM BENEFIT

Effective July 1, 2000, you are entitled to receive an annual allowance totaling not less than \$325 multiplied by the total years of service. This minimum applies to the "Straight Life Annuity with Refundable Balance" (Option I). Any discounts due to the selection of any other option or due to early retirement will proportionately reduce your monthly benefit after the minimum value has been applied. Effective July 1, 2001, the minimum annual allowance increases to \$335 multiplied by the total years of service.

ANNUAL INCREASES

Every July, retirement law provides for annual automatic increases of one and one-half percent if you have been retired ten months or more. One and one-half percent of your June annuity payment is added to your June benefit on July 1. Periodic increases have been made in the past in addition to the regular one and one-half percent annual increment.

SUBSTITUTE/PART-TIME EMPLOYMENT

When you retire for service, your annuity is guaranteed for life. In general, any other employment or income you may have, regardless of its sources, has no effect on the annuity. **However, your employment is limited to the equivalent of 100 days in any one school year when you are employed by a designated employer of KTRS members and the employment is in a position that entails duties or qualification requirements similar to positions subject to participation in the retirement system. Part-time employment in a covered position or substitute teaching in Kentucky public schools is not permitted beyond the one hundred (100) day limitation.** Proration of the 100 days occurs in the first year of retirement when the beginning month of retirement is other than July. Designated employers are required to report annually to KTRS the employment of all retired KTRS members. KTRS reserves the right to reduce the monthly retirement annuity of any retired member whose employment exceeds the limitations. You are strongly urged to contact KTRS if you have any questions about your employment after retirement.

PAYMENT OF ANNUITIES

Retirement annuities are payable monthly. Your first payment will be paid on or before the last day of the month (following the completion of one full payment period). You may expect to receive future payments around the last of each month. If you retired effective July 1, you may expect your check on or before July 31. Your monthly annuity is deposited via electronic funds transfer (EFT) directly into the account of your financial institution.

WAIVER OF ANNUITY

You have the privilege of waiving your annuity and returning to full-time teaching. If you remain on waiver for at least one full contract year you may have your annuity recalculated. Otherwise, your contributions would be returned to you at the end of the waiver period. If you want to exercise your privilege for a retirement waiver, you should write KTRS for information concerning your waiver and its effect on your previous retirement.

After retirement, if you return to employment and fill a full-time position that is designated by the Kentucky Department of Education as a "critical shortage area", you are eligible to continue to receive the retirement annuity. There are many other guidelines relating to this type of employment.

RETIREMENT VALUE OF YEAR OF SERVICE

Service rendered between July 1, 1941 and July 1, 1983 will be valued at 2% per year. Service rendered after July 1, 1983 will be valued at 2.5%. All service of university members is valued at 2% since they also contribute to social security.

CALCULATING YOUR ANNUITY

The Straight Life Annuity with Refundable Balance (Option 1) is the basic retirement plan and must be calculated before adjustments can be made for optional retirement plans or for early retirement. The following steps will assist you in computing an approximate amount for a Straight Life Annuity (Option I).

- STEP 1:**
- a. Total your five (5) highest years of salary and divide by five (5) to determine your final average salary; or
 - b. Total your three (3) highest years of salary and divide by three (3) to determine your final average salary **if** you are at least age 55 with at least 27 years of Kentucky service.
- STEP 2: Contributing Service**
- a. Total your years of service between July 1, 1941, and June 30, 1983. Multiply the total service by the final average salary from Step 1 and then by 2%. If you are a university member, disregard (b), and (c) in step 2 and multiply all service by 2%.
 - b. Multiply the total service after July 1, 1983, by the final average salary from Step 1 and then by 2.5%.
 - c. Total the values computed in (a) and (b) to find your yearly Straight Life Annuity.
- STEP 3:**
- Divide the yearly annuity by twelve (12) to determine your monthly annuity.

In no case can your retirement annuity exceed your last annual compensation or your final average salary, whichever is greater. Please write KTRS if you are interested in retirement options other than the Straight Life Annuity option plan shown above.

INFORMATION ABOUT YOUR ANNUITY

KTRS counselors will calculate the approximate amount of your monthly annuity upon written request. When requesting retirement estimates, always list your current salary, the date you plan to retire, your social security number, and your current address. Also, give us an estimate of your future salaries if you want a projection of benefits for future retirement. Please provide your beneficiary's date of birth if you want an estimate of benefits available under joint-survivor options.